



Claire McCaskill

Missouri State Auditor

October 2005

City of St. Charles, Missouri

Year Ended December 31, 2003



Office Of
Missouri State Auditor
Claire McCaskill

October 2005

The following problems were discovered as a result of an audit conducted by our office of the City of St. Charles, Missouri.

During November 1999, the City of St. Charles purchased property at a cost of approximately \$835,000 with intentions to expand the current police department. The city later decided to build a new police station instead. The purchased property was appraised in April 2002 at \$675,000 and sold in August 2002 for approximately \$500,000. The city did not advertise for bids on this property. The old police station, which had been appraised in April 2002 for approximately \$1.2 million, was sold for approximately \$725,000. The city requested bids from parties that had expressed an interest in this property, but did not advertise for bids. Additionally, the city purchased a showboat for tourism purposes and eventually disposed of the property without receiving any compensation. The city spent approximately \$1.9 million over a 12 year period on this property for acquisition, repair, and maintenance. In 2003, the Council voted to dispose of the property. The city received four proposals from different groups interested in the boat; however, none of these proposals offered the city any money for the boat. These sales were not publicly advertised, nor were proposals formally solicited.

Some expenditures do not appear to be reasonable and prudent uses of public funds and some appear to be donations. Both the Mayor and the City Council have budgeted line items for directives, but there is no city policy stipulating how these funds can be spent. For fiscal year 2003, the Mayor and Council had budgeted directive amounts of \$5,000 and \$54,000 respectively. One example of the mayor's directive expenditures included a sister city reception dinner at a cost of approximately \$1,700. Of this amount, approximately \$500 was for the purchase of alcoholic beverages. Included in the council's directive expenditures was a holiday party for city employees and their spouses at a cost of approximately \$1,900. These expenditures do not appear to be prudent uses of public monies and do not appear necessary to accomplish the mission of the city.

Some grants awarded appear to be donations, including a \$3,000 payment made to a group of local singers; a \$5,000 payment to Habitat for Humanity to display a tree on the city's behalf during their annual three day Celebration of Trees fundraising event; and \$5,000 to Boone Center Inc. to assist in purchasing a van. Numerous other expenditures similar to these were noted in budget categories. To avoid being a donation, the city needs to ensure the monies are used for city provided services and they receive the required documentation from the entity documenting how the monies were spent or the services received by residents of the city of St. Charles.

(over)

YELLOW SHEET

The city has entered into contracts where one or more of the parties have not complied with terms of the agreements. The city does not have a policy regarding contract monitoring nor do the individual contracts specify who should monitor them for compliance. Additionally, the city has not established a policy on who is authorized to approve agreements for the city when an expenditure of city monies is not involved.

The city bypassed their normal bidding procedures for some purchases without fully documenting the "emergency" nature of the purchases, including approximately \$13,000 for the "emergency" purchase of window blinds for the new police department building. Additionally, in 2001, a \$49,500 contract was awarded for a design survey for the 48-inch sanitary sewer replacement project, when three other proposals for less than this had been received. Neither the Board of Public Works nor the City Council minutes documented any reasons for awarding this contract to the higher bidder. Also, several concerns were noted regarding meal and travel expenditures and the lack of adequate supporting documentation for such expenditures.

During the year ended December 31, 2003, the city paid approximately \$417,170 for overtime for the police department. All other city employees are paid overtime for work in excess of 40 hours per week, per city policy, while uniformed police officers are paid overtime for hours in excess of 8 hours per day. City personnel indicated this policy was a result of negotiations with the police association; however, they could not provide any documentation.

The Parks Department does not transmit/deposit receipts in a timely manner, restrictively endorse checks immediately upon receipt, or follow up on outstanding accounts receivables on a timely basis. In addition, the duties of receiving, recording, and depositing monies collected for registration and facility rental payments are not adequately segregated. This department collects monies for activity registration, admission and concessions at the swimming pool, facility rental, cemetery sales, and concession sales at the city parks and sports fields. For the year ended December 31, 2003, overall parks department receipts totaled approximately \$1,517,000.

Also included in the report are recommendations related to revenue allocation and debt, legal fees, cell phones, Boone's Lick corridor plan, fuel purchases, and the transportation development district.

All reports are available on our website: www.auditor.mo.gov

CITY OF ST. CHARLES, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS.....	4-27
<u>Number</u>	<u>Description</u>
1.	Real Estate and Other Property Transactions.....5
2.	Mayor/Council Expenditures7
3.	Contracts9
4.	Expenditures11
5.	Revenue Allocation and Debt17
6.	Legal Fees20
7.	Police Department Overtime.....22
8.	Cell Phones22
9.	Boonslick Corridor Plan23
10.	Fuel Purchases23
11.	Transportation Development District24
12.	Parks and Recreation.....25
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	28-31

STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Mayor and members of the City Council
City of St. Charles, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of St. Charles. The city engaged Rubin, Brown, Gornstein & Co. LLP, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended December 31, 2003. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended December 31, 2003. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the

provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in the audit of the city.

The accompanying Management Advisory Report presents our findings arising from our audit of the city.



Claire McCaskill
State Auditor

October 26, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
In-Charge Auditor:	Marty Beck
Audit Staff:	Carl E. Zilch Jr.

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF ST.CHARLES
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Real Estate and Other Property Transactions

The city entered into several property transactions resulting in losses to the city due to inadequate planning, no requests for bids, and lack of an overall policy on property transactions.

- During November 1999, the city purchased property at a cost of approximately \$835,000 with intentions to expand the current police department. The city later decided to build a new police station instead of expanding. The purchased property was appraised in April 2002 at \$675,000 and sold in August 2002 for approximately \$500,000. The city did not advertise for bids on this property. After the new police station was built, the old police station, which had been appraised in April 2002 for approximately \$1.2 million, was sold for approximately \$725,000. The city requested bids from parties that had expressed an interest in this property, but did not advertise for bids.
- The city purchased a showboat for tourism purposes and eventually disposed of the property without receiving any compensation. The city spent approximately \$1.9 million over a 12 year period on this property for acquisition, repair, and maintenance. In 2003, the Council voted to dispose of the property. Although the boat did require some repairs, it was insured for approximately \$350,000 at the time of the sale. The city received four proposals from different groups interested in the boat; however, none of these proposals offered the city any money for the boat. The Council eventually selected one of these groups and gave them the property at no cost. The city did not advertise the sale of the property, nor were proposals formally solicited. There was no documentation available to indicate the city sought other money making alternatives for the disposal of the showboat.

The above sales were not publicly advertised, nor were proposals formally solicited. The city should make a reasonable effort to ensure city property is sold at fair value. The city should determine the market value through appraisals or other means, and then advertise the sale of the properties and/or develop a reasonable marketing plan which will assure a reasonable number of interested bidders. A written policy on property purchasing and selling would provide guidance and consistency in the application of procedures.

Article VI, Section 23 of the Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as provided in the constitution. Formal bidding procedures provide a framework for the economic management of city resources and help ensure the city receives fair value by contracting with the best bidders.

WE RECOMMEND the City Council adopt a formal written policy on purchasing and selling property. This policy should address the procedures for property transactions, such as obtaining appraisals and bids.

AUDITEE'S RESPONSE

The City Council agrees that a formal written policy will provide guidance and consistency for transactions involving the purchase or sale of property and will work towards the development of a formal policy outlining when formal bidding is required and when it is necessary to obtain appraisals. The City Council, therefore, passed Ordinance No. 04-187 on July 17, 2004, which requires certain disclosures and assurances from the purchaser of excess City real property and requires that the purchaser not dispose of the property for six months from the date the purchaser takes title. The City Council will consider adopting legislation requiring appraisals on properties to be sold by the City, even though appraisals are not required by State Law.

Background: No formal policy was in place at the time the City agreed to the transactions sited and there was no requirement for the City to obtain appraisals or formal bids. The property sold in August of 2002 was appraised and sold to the St. Charles School District, to be used as an Alternative High School, which program serves the community well by removing troubled youth from the general school population and placing them in an environment which is more advantageous for them, and at the same time benefits the general school population. The City Council did not seek other proposals as the Council felt the community would be well served by cooperating with the school district to assist them in meeting the needs of the St. Charles residents served by them.

The former City Administrator did not formally advertise for bids in a newspaper for the sale of the old police building; however, the former City Administrator did post a sign on the property indicating it was for sale. The former City Administrator recommended to the City Council that bids be requested from those parties who had expressed an interest in acquiring the property. The City Council passed the ordinance approving the sale of the old police building at the Special Council Meeting of March 9, 2004, with a vote of six in favor, and four opposed.

The City did not formally advertise for the sale of the Goldenrod Showboat property. Proposals were solicited from parties that had expressed interest. None of the proposals received offered any money for the sale as all proposers realized the significant investment that was necessary to obtain Coast Guard approval and the annual cost necessary to maintain the showboat. Based on the estimated cost of \$450,000 for the repairs, and a future anticipated hull repair in the amount of \$2 Million, in the opinion of our professional City Staff, and the unanimous opinion of the Mayor and City Council, the cost associated with trying to continue to maintain the Goldenrod and to bring it up to the standards required by the Coast Guard, was not worth any potential resale value.

2.**Mayor/Council Expenditures**

Some expenditures do not appear to be reasonable and prudent uses of public funds and some appear to be donations. Both the Mayor and the City Council have budgeted line items for directives, but there is no city policy stipulating how these funds can be spent. For fiscal year 2003, the Mayor and Council had budgeted directive amounts of \$5,000 and \$54,000 respectively. In addition, the City Council approves grants to various entities and organizations. The Council's budget includes a section entitled "Professional/ Purchased Services – Social Service Agency", which includes these grants. The 2003 revised budget for these expenditures was approved for \$43,000 of which \$42,885 was spent. Also, during fiscal year 2003, the Mayor and each council member had an expense allowance line item on the budget of \$6,500 and \$4,600 respectively.

- A. Some of these directive expenditures and expense allowance items appeared to be questionable uses of public monies:
- The mayor's directive expenditures included a sister city reception dinner at a cost of approximately \$1,700. Of this amount, approximately \$500 was for the purchase of alcoholic beverages.
 - The council's directive expenditures included a holiday party for city employees and their spouses at a cost of approximately \$1,900.
 - An expense allowance item of \$240 was made for six tickets to the St. Charles Sister City Club for their Buergermeister Ball. The tickets indicated that this was a nonrefundable donation. Additionally, four tickets were purchased at a cost of \$200 for the "Tree of Lights" kickoff luncheon.
 - The expense allowance included a \$100 payment for a dinner to benefit the Mayor's charities. Additionally, \$200 in entry fees were paid for the Mayor's Annual Charity Golf Tournament and numerous payments were made for memberships to various organizations, such as the Kiwanis Club, Lions Club, Rotary Club, and the Chamber of Commerce and for some meals to attend the meetings of these organizations.
 - A \$500 expenditure was noted for a "Christmas Greetings" advertisement placed in a local newspaper. The advertisement noted the council member's name with his Christmas greeting. City personnel indicated that the other council members do something similar to this. Section 115.646, RSMo 2000, prohibits the use of public funds to promote an elected official.

These expenditures do not appear to be prudent uses of public monies and do not appear necessary to accomplish the mission of the city. The city does not have a written policy or other documentation to provide guidance on what are allowable expenditures of these funds. A written policy would provide this guidance and allow for consistent application of the expenditures.

B. Some of the grants awarded also appeared to be donations:

- A \$3,000 payment was made to a group of local singers. Documentation reviewed for this transaction included an "Application for Grants for The Arts Civic Charitable & Neighborhood Groups from the Saint Charles City Council." The grant application notes that amounts were also paid to this group in 1998 and 2001 as well totaling \$5,000. This funding provided for a trip to the White House and general funding for the singing group. The contract required the group to report how these monies were spent; however, the only documentation provided was on subsequent applications for additional funding.
- A payment was made to Habitat for Humanity in the amount of \$5,000. This payment was set-up with a contract whereas the Habitat for Humanity (HH) was to display a tree on the city's behalf during HH's annual three day Celebration of Trees fundraising event.
- The city provided \$5,000 to Boone Center Inc. to assist in purchasing a van. The agreement required the center to provide the city with an accounting of how the funds were actually spent; however, no documentation of this accounting could be provided.

Numerous other expenditures similar to these were noted in these budget categories. Article VI, Section 23, of the Missouri Constitution specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual. To avoid being a donation, the city needs to ensure the monies are used for city provided services and they receive the required documentation from the entity documenting how the monies were spent or the services received by residents of the city of St. Charles.

WE RECOMMEND the City Council:

- A. Ensure expenditures made with public monies are reasonable and prudent uses of those funds. Adopt a policy or ordinance outlining the types of expenditures that are allowable with monies budgeted as directives.
- B. Refrain from granting or donating public monies as prohibited by the State Constitution. In addition, the City Council should ensure the city receives the documentation from the recipients of these monies as required by their agreement.

AUDITEE'S RESPONSE

Section 3.5 of the City Charter contains the following language with regards to expense accounts: "Councilmembers shall also receive their actual and necessary expenses incurred in the performance of their duties of office as provided by ordinance." We believe that we are following State Law with regard to our expenditures to local charitable agencies, social service agencies, cultural groups and cultural events because we require a contract to be signed with the City which specifies the benefit to the local community. In addition, these groups provide beneficial services to the local community often times when State funding has been cut.

Background: The City Council has traditionally held a Holiday Party for City employees and one guest as adopted by Management Policy No 18. With reference to the expenditures to local groups, the Mayor and City Council are expected to make official presentations and be part of official ceremonies for various events, and often these require the payment of a ticket for admission. The Mayor and City Council feel that being active in the community is important to the role of elected public officials.

AUDITOR'S COMMENT

While the city may require agreements to be signed, there has not been adequate follow-up on these contracts to ensure the documentation required by the agreements is received.

3.

Contracts

The city does not have a policy regarding contract monitoring or establishing who is authorized to sign agreements for the city when an expenditure of city monies is not involved.

A. The city has entered into contracts where one or more of the parties have not complied with terms of the agreements. The city does not have a policy regarding contract monitoring nor do the individual contracts specify who should monitor them for compliance. During a review of contracts between the city and other entities, the following concerns were noted:

- The city leased the Goldenrod Showboat to several different vendors to manage the operations of the boat. Although each of these agreements was unique, all required some type of monetary compensation to the city. In most cases, the agreements were written to provide some type of monthly rental payments, percentages of gross sales, an amount based on attendance, or a combination of two or more of these terms. The city has no records to indicate monies were received on the final contract during the time it was in place, and city personnel indicated any receipts in prior years were minimal. Since the required attendance and sales reports were not filed with the city, it cannot be determined how much is owed to the

city from these vendors. The city has not developed procedures to properly monitor these types of contracts.

- The city entered into a management contract for a vendor to operate and manage the Foundry Arts Center. The contract required the Center's Manager to submit to the city, in a timely manner, financial and other reports detailing the Center's activities, a proposed annual operating budget, and 50% of all operating profits. The contract also required the vendor to comply with the city's competitive bidding procedures for the renovation of the Foundry Arts Center. As of July 19, 2004, the Center's Manager had not submitted a budget to the city, although the Center had opened in May 2004. In addition, bids were not obtained for the renovations as required by city policy. There was no documentation to indicate the city had followed up on these issues to ensure compliance with the contract.

A written policy would provide guidance on how individual contracts should be monitored and details included in the contract document would identify the party or parties responsible for monitoring each specific contract.

- B. The city has not established a policy on who is authorized to approve agreements for the city when an expenditure of city monies is not involved. In May 2004, the Mayor signed an agreement establishing the benefits for the employee prescription plan for a term of three years. City documents indicate the Assistant City Attorney had reviewed this document prior to it being signed and that the City Council's approval would not be required for this type of agreement because it is not a procurement of goods or services. In early 2005, the City Council voted to change the city's health insurance plan and the companies used for their plan, which would affect this agreement. Apparently, the City Council was not aware of the agreement with the company for prescription services at that time and a copy had not been filed with the City Clerk.

The City Attorney indicated this was not a contract; however, the company has now asked for \$200,000 for the early termination of this agreement. Section 40.23 of the city's procurement policy indicates that "no contract for the provision of any services, materials, supplies, or equipment shall be extended for a period in excess of one year without the opportunity for public bidding or a request for proposals, unless the extension is approved by the Mayor and City Council by ordinance".

The city should develop approval policies and procedures for similar agreements which may obligate the city without being a procurement of goods and services to avoid any future misunderstandings or problems.

WE RECOMMEND the City Council:

- A. Develop a policy on contract monitoring or specify who should monitor for compliance in each individual contract to ensure terms and conditions are met.
- B. Develop a policy on approval and filing of agreements signed by the mayor, which are not a procurement of goods and services.

AUDITEE'S RESPONSE

- A. *The City Council agrees that contracts should be monitored for compliance with the terms and conditions.*
- B. *The City agrees and had already developed and approved a policy prior to the audit. The City Council conducted its own independent review and will be making recommendations. The City Administration has voluntarily adopted a new policy to require the approval of appropriate staff for contracts which are not for purchase of goods or services, therefore, it is not anticipated that this situation will occur again.*

Background: Each department is responsible for all contracts within their purview. The City no longer owns the Goldenrod. The Foundry Contract is being administered by Administration and they have now received all the information required under the terms of the agreement.

4.

Expenditures

The city did not adequately document why some purchases were deemed to be an emergency, did not maintain documentation of reasons for not selecting the low bid, and did not solicit proposals for some legal services. In addition, several concerns were noted regarding meal and travel expenditures. Also, some payments were processed without a sufficiently detailed invoice or other adequate supporting documentation.

- A. The city bypassed their normal bidding procedures for some purchases without fully documenting the "emergency" nature of the purchases, did not maintain documentation of reasons for not selecting the low bid, and did not solicit proposals for some legal services.
 - 1) Approximately \$13,000 was paid for the "emergency" purchase of window blinds for the new police department building, and approximately \$2,700 was paid for the "emergency" purchase of a light kit for a flag pole. There was no documentation of why these purchases constituted an "emergency". Without proper review of emergency purchases and documentation of the reasons for the purchases, the city could be paying more than necessary for products or services when there is no emergency.

- 2) In 2001, a \$49,500 contract was awarded for a design survey for the 48-inch sanitary sewer replacement project, when three other proposals for less than this had been received. Neither the Board of Public Works minutes nor the City Council minutes contained any discussion or documented any reasons for awarding this contract to the higher bidder.

In situations where a bid other than the lowest bid or other than the highest ranked proposal is selected, the reasons for the contract award should be adequately documented and retained.

- 3) Proposals are not solicited for some legal services. In 2004, the city contracted for legal services for Special Counsel (see MAR 6) and for a Prosecuting Attorney, and in 2005, they contracted for legal services in an election contest matter. Proposals were solicited for the Prosecuting Attorney, but not for the other two contracts reviewed. There was no documentation indicating why proposals were not solicited for the Special Counsel, and the procurement exemption form for the 2005 contract did not thoroughly document the reason for the exemption. The form simply stated "legal services".

The city's procurement policies for professional services require the solicitation of proposals for professional services. Additionally, Administrative Regulation 8.1.8 exempts legal services provided by attorneys from these procurement requirements upon approval of the City Administrator. This regulation requires any department director seeking to exempt a services procurement to submit a request in writing to the City Administrator describing the reasons why it should be exempt.

In July 2004, the City Council passed ordinance 04-195 giving the City Council exclusive authority, as it deems necessary, to employ, hire and contract for the legal services of all attorneys for the city.

While professional services, such as attorneys may not be subject to the standard bidding procedures, the city should solicit proposals for professional services to the extent practical. Soliciting proposals and subjecting services to a competitive selection process does not preclude the city from selecting the vendor or individual best suited to provide the service required. If the city determines procurement of legal services should be exempt, the reasons should be thoroughly documented.

B. A review of meal and travel expenditures noted the following concerns:

- 1) There were several instances where alcohol was purchased. The city's policy on travel does not allow for the reimbursement for alcohol; however, city personnel indicated these meal reimbursements were for entertainment not city travel and that alcohol expenses are allowed for

entertainment. The city does not have a policy defining entertainment expenses or noting the types of expenses allowed. Without a written policy, the city cannot adequately monitor these types of expenses.

Additionally, the city does not budget meal and travel expenditures related to entertainment separately. Without a separate budget line item for entertainment expenses, the council cannot adequately monitor the amount spent in this area.

- 2) Meal expenditures made by credit card do not always provide adequate detail of what was purchased. We noted several instances where detailed vendor receipts did not accompany credit card billings or the receipts themselves did not provide adequate detail to determine what was purchased. For example, one receipt submitted simply showed the name of the restaurant and the total charged of approximately \$400, for a dinner meeting for four people. A detail of each purchase is necessary for the reviewer to make the appropriate determination of approving or denying the transaction.
- 3) The city's Convention and Visitor's Bureau (CVB) director does not document the planned travel for the upcoming year or the benefit to the city of the trips taken in his annual budget request. Approximately \$14,000 was paid for the CVB Director's travel during the year ended December 31, 2003. From our review of expenditures, several out of state trips are made for various marketing type activities during the year. The Council should require departments with large travel budgets to develop a plan of the trips to be made during the fiscal year. This plan should include the reasoning for each trip and the economic benefits of such to the city. Pre-planning would allow other city officials and the council to review the benefits and necessity of the trip when reviewing the budget request, and provide input on each specific trip. The plan would also allow for more precise cost budgeting for the trips planned.
- 4) The city has a policy requiring the selection of the most economical means of travel available for trips to conduct city business. The city rented an airplane on two different occasions for meetings held in Springfield, Missouri, which was not the most economical mode of travel. The city paid approximately \$1,100 for these flights. One trip was taken by the CVB Director and the other was taken by the Mayor and the CVB Director. While reasoning may have existed for using a more expensive mode of travel, the city did not document this information.
- 5) The city has a separate travel policy for elected officials; however, this policy does not have a set limit on the amount reimbursable for meals. Elected officials submit receipts for meals and are reimbursed the full amount upon approval by the finance director. During the year ended

December 31, 2003, one official received reimbursement of \$86 for a meal for two, and a second official was reimbursed \$221 for a meal for which the number of meals was not clearly indicated. Without set limits on the amount of reimbursement, unreasonable meal expenditures may be incurred.

- C. Some payments to one firm were processed without a sufficiently detailed invoice or other adequate supporting documentation. During the year ended December 31, 2003, the city paid approximately \$50,000 to one firm for professional services. The original proposal from this firm indicated hourly rates to be charged for the various types of jobs to be provided; however, the invoices do not show the number of hours worked or the hourly rates. The invoices submitted for payment simply list the project, give a brief description of the various tasks, and list the total due.

To ensure the validity and propriety of the expenditures approved for payment, adequate supporting documentation should be obtained prior to payment. Invoices for professional services should include a detailed list of tasks along with the time spent on each task and the hourly rate for each task. Without a detailed invoice, the city cannot ensure they are being billed at the proper amount or for a reasonable amount of time for the various tasks.

WE RECOMMEND the City Council:

- A.1. Provide better documentation of why an emergency purchase is needed and use the emergency purchase provision of the city's purchasing policy as intended and not for poor planning reasons.
2. Ensure reasons for not selecting the low bid or most highly ranked proposal are documented and retained.
3. Ensure procurement policies are consistently applied for legal services and reasons for exemption from the procurement policy are thoroughly documented.
- B.1. Develop a written policy defining entertainment expenses and budget those expenses separately so the amount and types of expenditures in this area can be monitored as needed.
2. Ensure expenditures made by credit card are backed by adequate detail of what was purchased and the purpose of the purchase.
3. Require departments to provide an annual travel plan with their budget request.
4. Ensure the most economical methods of travel are selected as required per city policy or document the reasoning for selecting a more expensive means.

5. Develop maximum reimbursable amounts for meal reimbursements to elected officials.
- C. Obtain adequate supporting documentation for all expenditures.

AUDITEE'S RESPONSE

- A.1. *The City Council agrees that the reasons for an emergency purchase should be adequately documented.*

Background: *Construction of the new police facility took several months longer to complete than anticipated. Substantial completion and approval for occupancy was received with little advance notice. This allowed little time to coordinate the installation of department provided furniture, fixtures and equipment (one of many such items being blinds). The earliest possible move date was established based on the availability to transfer all major components of the move (i.e. telephone systems, computer systems, data circuits, radio system, and all other necessary fixtures and furniture) to the new facility. Blinds were the only item that could not be acquired and installed to meet the move date without an emergency purchase. The City Administrator waived the need to formally advertise for bids to shorten the time frame. The City Administrator still required three written quotes for the purchase and installation of these blinds. The use of the emergency process allowed the City Administrator to authorize the purchase and allow the move to the new facility as scheduled. The reasons should have been documented better.*

The emergency purchase of the light beacon kit was necessary to install a light on the radio tower at Fox Hill Park because the FCC required the installation within 15 days.

- A.2. *The City accepts bids on the basis of the "lowest and best" bid, and the City places great emphasis on choosing the "best" bid. Since there is no State Law or City Ordinance requiring that the lowest bid be accepted, the City reserves the right to reject any or all bids. There are a variety of reasons why certain bids may be rejected, which could include past relationship with the City or past contract performance, which information may not be appropriate to publicly announce as a criticism of a private firm.*

- A.3. *The City Council agrees that the reason for exempting legal services from the procurement policies should be documented. However, since Administrative Regulation 8.1.8 exempts legal services provided by attorneys from these procurement requirements for professional services upon approval of the City Administrator; and since the City Administrator works for the Mayor and City Council, it is within the purview of the City Council to also be exempt from the procurement requirements for those services hired by the City Council. Section 7.8 of the City Charter states that the City Council shall have the power to employ special legal counsel as it deems necessary.*

Background: *In the past, the Council and staff would exercise judgment as to whether it was in the City's best interest to utilize a procurement process depending on the nature of the legal services to be provided. These decisions were not formally documented.*

B.1. *The City Council agrees that a formal written policy regarding entertainment expenses should be developed.*

Background: *While the City does not currently have a formal written policy, no reimbursements for alcohol purchases have been allowed except for authorized entertainment expenses.*

B.2. *The City Council agrees that expenditures made by credit card should contain the detail of the expenditures incurred. The City will pass rules requiring the details of meal expenditures.*

Background: *The expenditure referenced in the audit report was incurred by the former Director of Convention & Visitors Bureau.*

B.3. *The City Council, along with the Convention & Visitors Bureau Commissioners and City Administrator will request and review the annual travel plans for the CVB Director and staff. The City Council passed Ordinance 05-72 to reorganize the Convention & Visitors Commission, placing the City Administrator on the Commission to assist in oversight; and the Commission is in the process of reviewing the annual budget, and will look at the annual travel budget specifically. During the year revisions to the plan may be made so long as the City Administrator approves the travel requested.*

Background: *The Director of the Bureau actively participates in the Bureau's selling efforts. Some of the travel relates to sales missions, marketplaces, bid presentations or tradeshows. The Bureau Director also travels to industry related events which concern the operation of a convention center, research, media, marketing, etc. The travel is generally outlined in the budget request each year and then individual travel is submitted for approval by the City Administrator at least 21 days in advance of the travel. This form outlines travel dates and anticipated expenses.*

B.4. *The City Council agrees that the most economical method of travel is selected and also agrees that adequate documentation to support selected mode of transportation should exist.*

Background: *In the cases cited by the State Audit, the overall cost was less expensive. On February 1, 2002, the Mayor, Tourism Director, City Administrator and Chairman of the St. Charles County Convention and Sports Facilities Authority (the Authority) all flew on a small aircraft to Springfield, MO for a meeting with John Q. Hammons. At the time, we were in negotiations with Mr. Hammons regarding our convention center and his hotel. The total cost of the flight for four people on February 1, 2002, was \$524.42, which was less than flying commercially at approximately \$600 per person, or driving (which would include costs for hotel and meals). The total cost of the flight for four people on October 22, 2002, was \$547.24, which was again less than traveling by other methods.*

B.5. *Section 3.5 of the City Charter provides: “Councilmembers shall also receive their actual and necessary expenses incurred in the performance of their duties of office as provided by ordinance.” It is also noted that meal costs vary, especially on out of town travel. The City Council now requires each elected official to provide the following certification: “I certify that the information submitted above is true and correct and that the expenses have been actually and necessarily incurred in the performance of the official business of the City. I understand that any request for reimbursement made without adequate documentation to determine compliance with federal tax law requirements shall be reported to the Internal Revenue Service in the manner required by law and all appropriate withholdings of taxes shall be made as required by law.”*

C. *The City Council agrees that billings from vendors should include the information required in the contract and should be in the unit proposed. Vendors will be required to submit detailed invoices prior to departments approving them for payment.*

Background: *Payment of the most recent invoices which have been submitted by Hartman Design Group has been held until documentation of the hourly breakdown is provided.*

5.	Revenue Allocation and Debt
-----------	------------------------------------

The City has not followed the guidelines established by the City Council for the allocation of gaming revenues. In addition, the city does not have a debt policy although their financial obligations have risen significantly over the last several years to a level higher than that of similar sized cities due in large part to the use of leasehold revenue bonds and certificates of participation (COPS).

A. The City received approximately \$16.5 million, \$15.3 million, and \$14.5 million, in gaming revenues during the years ended December, 31, 2004, 2003, and 2002, respectively. In August 1995, the City Council passed resolution R95-24, establishing general guidelines to assist it in considering the allocation of revenue from the operation of the gambling riverboat within the city. This resolution established guidelines as documented in the chart below; however, during the past years, gaming revenues have been allocated differently. A comparison of the guidelines and the allocations follows:

	<u>2004</u>		<u>2003</u>		<u>2002</u>		<u>1995</u> <u>Guidelines</u>	
General	40.5	%	43.5	%	28.2	%	0	%
Redevelopment	13.8		9.5		12.4		15.0	
Streets	23.1		24.1		31.4		20.0	
Facilities	8.7		14.4		16.8		20.0	
Stormwater	13.6		8.5		11.2		25.0	
Reserve	0.3		0		0		20.0	

The City has not followed the guidelines established in 1995 and has allocated an increasingly significant portion of the gaming monies to the General Fund each year and nothing to the Utility and Gaming Reserve until 2004.

In February 2003, the City Council passed resolution R03-2, revising the general guidelines. This resolution indicated the City Council had approved a capital plan for the years 2003 thru 2008, which included commitment of some gaming revenues to these projects, thus the new guidelines would not take effect until calendar year 2009. The new resolution establishes the following guidelines: General Fund (continue to provide the funding necessary to maintain the level of service provided on the effective date of this Resolution), with the remaining gaming funds to be allocated: Streets - 30 percent, Facilities - 25 percent, Redevelopment - 20 percent, Stormwater Control - 15 percent, and Reserve - 10 percent.

It appears the City has made some effort in 2004 to work toward the new guidelines in allocating at least a portion of these monies to the reserve. The Utility and Gaming Reserve would aid the city in the event of unforeseen financial problems, changes in gaming laws, etc. A reserve would allow the city some time to develop other revenue alternatives, such as passage of a sales tax, if something were to happen to the gambling facility or state laws change effecting these revenues. The City should continue in their effort to follow the new guidelines established and strive to increase the reserve fund, especially with the increasing amount of debt noted below.

- B. The city does not have a debt policy; however, the city's financial obligations have risen significantly over the last several years to a level higher than that of similar sized cities due in large part to the use of leasehold revenue bonds and certificates of participation (COPS). Leasehold revenue bonds and COPS are methods of financing a capital project whereby a tax-exempt corporation is formed (leasehold revenue bonds), sells interests (certificates of participation) in the capital project or revenue bonds, leases the project to a local government, and repays the certificates/bonds with the lease payments. After the certificates/bonds have been repaid, the local government typically has the option to purchase at a minimal amount the capital project it has been leasing. Leasehold revenue bonds and COPS are not required to be approved by the city voters.

From 1999 to 2003, the overall financial liability of the city (excluding TIF bonds) has increased approximately 115 percent from \$59 million to \$127 million. Over this same time period, the city's population increased approximately 3 percent. These changes have led to an increased level of liabilities per capita over this five year period. A large portion of the city's debt is leasehold revenue bonds (\$77,050,000) and COPS (\$31,600,000). The city does not include these types of debts in their calculation of debt per capita. If these liabilities are included in the calculation, debt per capita is \$2,080. The following chart shows St. Charles compared to other similar cities within the state for 2003:

<u>City</u>	<u>Long Term Liabilities (in millions)</u>	<u>U.S. Census Bureau Population Estimate for 2003</u>	<u>Total Liabilities per Capita</u>
St. Charles	\$127.3	61,402	\$2,073
O'Fallon	152.3	63,715	2,390
St. Peters	63.8	53,564	1,191
Columbia	138.6	88,593	1,564
Lee's Summit	78.0	76,840	1,015

The city should develop a debt policy which ensures leasehold revenue bonds and COPS are included with other debt in monitoring the various debt ratios which would help ensure the city is maintaining adequate financial stability. In addition, the policy should ensure the city is carefully considering the method of repayment for new debt and increased reliance on the gaming monies.

WE RECOMMEND the City Council:

- A. Continue to work towards meeting the established guidelines for the allocation of gaming revenues and the build up of the reserve fund.
- B. Develop a debt policy to ensure leasehold revenue bonds, COPS, and other debt are included when monitoring the overall financial obligations of the city.

AUDITEE'S RESPONSE

- A. *The State Auditor is referencing a decision by past City Council to establish this policy, and the current City Council determined that the use of the funds was in the best interest of the City. In accordance with the City Charter, all policy decisions of the City are made by the City Council currently in office, therefore the current policy precludes any previous policies, and therefore it is not applicable. The Council does this annually when it reviews the Capital Improvements Plan and the Annual Operating Budget.*

Background: The gaming facility has been a part of the community for over 11 years, and while we should still be cautious regarding the use of these funds, the Council is concerned with limiting long term commitments made from gaming and having adequate levels of reserves to back these commitments. This was reflected in the action taken by the City Council in adoption of the last Capital Improvement Plan. Due to our 11 year history with gaming, and the fact that it has grown and prospered in Missouri, we are less concerned with the prospects of the boat leaving the City of St. Charles, than the larger threat to the continuation of the gaming funds by changes which the State Legislation may make to reduce or redirect those funds. Council will work towards revising the guidelines to reflect the current plans for the use of these funds.

- B. *The City Council agrees that a formal debt policy should be developed. The policy will provide a tool for debt management and help ensure we issue debt in a prudent manner to maintain our bond rating of Aa3. Comparison with other cities is not appropriate because the City of St. Charles is a full service city (police protection, fire protection, water, and sewer), whereas some of the other cities which were used for comparison purposes are not.*

Background: It should be noted that in October, 2003 when the City issued \$29,255,000 in COPS for the Convention Center Project, our general obligation rating was increased from A1 to Aa3. The upgrade reflects a growing tax base with continued development expected, consistent sound financial operations supported by reserves and a moderate debt level. That bond rating was reconfirmed in May, 2004 and again in August, 2004 by Moodys. This project is a partnership with the State of Missouri, through the Governor's appointment of the St. Charles Convention & Sports Facility Authority (Authority). The primary source of repayment of the debt is the Authority's tax. Taking out the one component (Convention Center) which is paid by others drops the Total Liabilities per Capita from \$2,080 to \$1,596.

6.

Legal Fees

The City Council has hired a special counsel on a regular basis. In addition, the city's contract with the special counsel does not clearly differentiate between his duties and those of the City Attorney.

Article VII, Section 7.8 of the city charter indicates the "city council shall have the power to employ special counsel as it deems necessary". In the past, special counsel was hired only for unusual litigation, etc., as needed. However, in June 2004, the City Council voted to contract with an attorney to serve as their special counsel on a regular basis. The contract indicates the attorney is to be paid a monthly retainer and additional hourly compensation for additional services. The contract defines retainer services as attendance and representation at not less than three meetings of the City Council per month, rendering informal legal opinions, and receiving phone calls regarding ordinances to be presented at Council meetings. Additional services are defined as attendance at meetings, beyond those included in the retainer services, research and preparation of any opinion, negotiations and drafting of contract, and representation of the City Council in any investigation, Court or Administrative proceeding.

The city has a full time City Attorney whose duties are documented in the Article VII, Section 7.7 of the city charter as follows: represent the city in all legal matters in which it is a party, or is interested, advise the Council, any committee or member thereof, the mayor, the city administrator, department heads, and the boards and commissions concerning any legal questions affecting the city's interest, perform other legal services as may be requested by the council, prosecute and defend all actions originating or pending before the municipal court. The city contracts with another attorney for prosecution services.

During the year ended December 31, 2004, the city paid the following legal fees:

<u>Type of Service</u>	<u>Amount Paid</u>
City Attorney	\$110,270
Assistant City Attorney	81,780
Special Counsel	17,500
Prosecuting Attorney	37,871
Special litigation	32,680

Currently, the City Attorney and the Special Counsel both attend most city council meetings, write legal opinions, etc., which would appear to be a duplication of services. It is not clear which duties would apply to the City Attorney versus the Special Counsel or whose opinion would take precedence, since these duties would appear to overlap. For example, in 2005, the City Attorney and the Special Counsel issued opinions regarding the approval of line item budget transfers with opposite conclusions. Currently and for more than 12 years, the Mayor has approved line item transfers within a department, which complies with administrative regulation 8.1.3. In April 2005, the Special Counsel issued an opinion, at the request of Council members, concluding that the City Council must approve all budget transfers over \$1,000 in compliance with city Ordinance 39.04. In May 2005, the City Attorney issued a legal opinion concluding the Mayor could transfer part or all of any unencumbered appropriation balance amount programs within a department, office, or agency as allowed by the city Charter, Section 8.10, and these transfers do not require council approval.

The city needs to review the need for a special counsel on a regular basis and ensure any duties are not duplicated

WE RECOMMEND the City Council review the need for a special council on a regular basis and ensure any duties are not duplicated.

AUDITEE'S RESPONSE

The City Council reevaluates the need for special council when it votes to enter into or renew a contract for said services. The City Council does not believe the services are duplicated.

***Background:** Legal services are paid out of several different areas of the budget by necessity. With regard to the cost for litigation to defend the City from lawsuits, it is a difficult number to determine from year to year because it is driven by the number of individuals which bring actions against the City; and it is the City Council's responsibility to defend those lawsuits, and to protect the City taxpayer dollars by defending those lawsuits. In the case of the Special Counsel, the City Council acted under Section 7.8 of the City Charter which states that the City Council shall have the power to employ special legal counsel as it deems necessary. The City Council felt that it was necessary as the City Attorney must serve many people in City Government, including the Mayor and City Administrator; and answers questions from Department Directors, and members of Boards/Commissions as required; and the City Council*

felt that it wanted to have legal services and counsel from a legal professional for itself, therefore there is not a duplication in that regard. On occasion it is better to have two legal opinions on certain issues, and to the extent that those legal opinions sometime differ, it alerts the City Council to potential questions that we need to resolve further before taking action. The City Council also felt that it was not adding a tremendous expense, because at the same time that the Special Counsel was hired, the Assistant City Attorney left the employment of the City, which was an \$81,780 cost for the year 2004. While there were costs associated with paying out the position, the position of Assistant City Attorney has not been filled by the current City Council.

7.

Police Department Overtime

The city does not have a written policy or ordinance regarding how overtime is awarded or paid to police personnel. During the year ended December 31, 2003, the city paid approximately \$417,170 for overtime for the police department. All other city employees are paid overtime for work in excess of 40 hours per week, per city policy, while uniformed police officers are paid overtime for hours in excess of 8 hours per day. City personnel indicated this policy was a result of negotiations with the police association; however, they could not provide any documentation. The police department overtime policy clearly provides a benefit exceeding the city's policy for other city employees. While the city has the option of approving guidelines that provide a greater benefit, they should review the necessity and cost of providing such. A written policy or ordinance would provide clear guidelines for staff regarding the earning, accrual, and payout of overtime.

WE RECOMMEND the City Council develop a written policy or ordinance outlining how overtime is earned and paid out to police personnel and review the necessity of the benefit afforded the police personnel which exceeds that provided to other city employees.

AUDITEE'S RESPONSE

The City Council agrees that we should adopt a formal policy or regulation regarding the application of overtime compensation for affected police department employees.

8.

Cell Phones

The city does not have a formal policy regarding cellular phone usage or guidelines to determine whether a cellular phone is needed or beneficial to the city. Monthly cellular phone expenses were approximately \$7,300 for the city's 164 cellular phones during 2003. Although cellular bills are reviewed by each department, lack of a usage policy can lead to excessive and unallowable usage.

While cellular phones can help increase employee productivity, they are also costly. A policy is needed to ensure that cellular phones are used only for business purposes. Such a policy should address which employees need a cellular phone, proper use of the phone, and a reimbursement policy if the council authorizes the phone to be used for personal purposes. Effective procedures should be implemented to monitor cellular phone usage and review invoices for propriety.

WE RECOMMEND the City Council develop a policy regarding the use of cellular phones, which includes procedures to monitor their use and to periodically assess which employees need a cellular phone.

AUDITEE'S RESPONSE

The City Council agrees; however, a cell phone policy was drafted prior to receiving this recommendation from the State Auditor. The policy was approved in October, 2004.

9.

Boone's Lick Corridor Plan

Although completed April 30, 2004, grant reimbursement requests for phase 1 and 2 of the Boone's Lick Corridor street project totaling approximately \$569,000 and \$194,000 respectively were not submitted to the grantor agency until October 16, 2004, and January 5, 2005, respectively. City personnel indicated the reimbursement claims were originally held due to a contract dispute regarding the quality of the asphalt. Untimely reimbursement requests may result in delays or total loss of project funds allocated.

WE RECOMMEND the City Council ensure grant reimbursement requests are filed in a timely manner.

AUDITEE'S RESPONSE

City Council agrees that grant reimbursement requests should be filed in a timely manner. The Director of Finance will develop a procedure for departments to periodically report the status of various grant projects and reimbursement requests.

10.

Fuel Purchases

Discrepancies or problems noted during periodic reviews of fuel purchases are not adequately documented. City personnel indicated fuel purchases are monitored from reports provided by the fuel vendor which includes the vehicle mileage and amounts purchased for each vehicle. These reports are reviewed for inconsistencies including missing amounts, large purchases, or other problems. If a problem is noted the person responsible for the vehicle is notified, in most cases by e-mail. Copies of these

notifications are not maintained and are not followed up on to ensure compliance and there is nothing noted on the report to indicate which problems were reviewed.

The report for October 14 thru November 11, 2003, had several inconsistencies, i.e. no vehicle mileage was noted, the vehicle mileage decreased on two vehicles, the same mileage was entered for a vehicle three times, and miles per gallon fluctuated significantly for some vehicles and among the various vehicles. There was no documentation available to indicate the police department personnel had noted these inconsistencies or followed up on them. Additionally, odometer readings recorded on these reports are not periodically compared to the actual odometer in the vehicle. Inadequate documentation of problems noted, no subsequent follow-up of the problems, and a lack of comparison to the actual odometer readings can potentially lead to fraud, abuse, and higher costs to the city.

WE RECOMMEND the City Council develop procedures for adequately documenting the review of fuel purchases and periodically compare the reported vehicle mileage to the actual amount per the odometer.

AUDITEE'S RESPONSE

The City Council agrees that a policy should be developed establishing procedures for documenting fuel purchases.

Background: Council understands that this comment stems from issues resulting from the review of fuel purchases at the police department. The police department agrees that the process of validating monthly fuel logs and documenting actual vehicle mileages can be improved. The department will be documenting that monthly fuel reports are checked against actual vehicle mileages. Procedurally, this will be accomplished by sending a copy of the monthly fuel report to the fleet mechanic that will check the report against actual vehicle mileages. Fleet mechanics will sign the monthly reports indicating appropriate mileages. Fleet mechanics will report any significant mileage deviations to management for further review/investigation. Documentation of electronic mail sent to employees regarding fuel reports will also be maintained with the monthly report.

11.

Transportation Development District

The city did not estimate their administrative costs to collect and deposit the sales tax revenues for the Transportation Development District (TDD) prior to establishing the fee for these duties. In addition, city personnel indicated they did not plan to track the costs. The city has entered into an intergovernmental agreement with the TDD to collect and deposit the TDD sales taxes for a fee of 1% of the amount collected. Section 238.233, RSMo, indicates the city "after deducting the cost of such collection but not to exceed one percent of the total amount collected" shall turn the funds collected over to the district.

A formal study should be conducted to document the costs of the service. The administrative fee charged to the TDD sales tax should be set at a level sufficient to cover the cost of the service and not exceed the actual administrative cost or 1% of the amounts collected.

WE RECOMMEND the City Council review the city's cost of administering the collection of TDD sales tax to ensure compliance with state law.

AUDITEE'S RESPONSE

The City Council is aware that staff has not formally documented the cost involved in administering the activities of the TDD. However, City staff has informed council that we have only received administrative fees of \$4,935 in 2003 and \$5,394 in 2004. Council understands that due to the insignificant amount received, it is not necessary to expend additional staff resources to formally calculate actual costs of the finance, public works, legal and administration staff time.

12.

Parks and Recreation

The Parks Department does not transmit/deposit receipts in a timely manner, restrictively endorse checks immediately upon receipt, or follow up on outstanding accounts receivables on a timely basis. In addition, the duties of receiving, recording, and depositing monies collected for registrations and facility rental payments are not adequately segregated. This department collects monies for activity registrations, admissions and concessions at the swimming pool, facility rental, cemetery sales, and concession sales at the city parks and sports fields. For the year ended December 31, 2003, overall parks department receipts totaled approximately \$1,517,000.

The Parks Department is under the control of the Parks and Recreations Board per the city charter. A review of accounting controls and related procedures revealed the following:

- A. The duties of receiving, recording, and depositing monies collected by the parks department for registrations and facility rental payments are not adequately segregated. Several clerks have the capacity to receive and record payments; however, one clerk can receive, record, and deposit payments. Parks personnel indicated a supervisor reviews this work; however, this review was not documented. The Finance Department prepares the bank reconciliation. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded.
- B. Receipts are not always transmitted/deposited in a timely manner. In one example, \$1,736 deposited on September 4, 2003, was composed of concession receipts collected on August 30, 2003. Other receipts were noted which were

deposited 3-5 days after collection. To adequately safeguard receipts and reduce the risk of loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100.

- C. Checks are not restrictively endorsed until deposits are prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- D. The Parks Department does not follow-up on outstanding accounts receivables in a timely manner. The Parks Department bills various sports leagues for the use of the lights at night games in various parks. Cash receipts from light usage totaled approximately \$12,000 and \$18,000 for fiscal years 2003 and 2002, respectively. From our review we noted approximately \$4,900 billed in 2003 which remained uncollected as of June 2004. It did not appear the Parks Department was aware of this until we questioned why there was a fluctuation in revenues between the years reviewed. Without adequate follow-up on accounts receivables, the city could be losing amounts due for services provided.

WE RECOMMEND the Parks Department:

- A. Adequately segregate the collection, recording, and depositing functions for receipts received through the parks department office.
- B. Ensure deposits are made daily or when receipts exceed \$100.
- C. Restrictively endorse checks "For Deposit Only" immediately upon receipt.
- D. Ensure outstanding accounts receivables are properly followed up on in a timely manner.

AUDITEE'S RESPONSE

It should be noted that the City Charter was amended by a vote of the public in April 2001, to place certain powers under the St. Charles Parks & Recreation Board. Therefore, the following response was provided by the St. Charles Parks & Recreation Board rather than by the City Council.

The Saint Charles Parks and Recreation Department has many established procedures in place to safeguard our revenues for accountability in all areas. Maintaining a good checks and balance system is of the utmost importance to everyone within our Department and we review our financial procedures frequently to ensure our own high standards are being met. Our incoming revenue for the 2003 fiscal year that funneled through our accountability procedures totaled \$1,517,284 with a method of payment as follows: \$646,513.53 checks, \$281,457.84 credit cards and \$589,312.63 cash. This revenue was generated through pools, activity registration, admissions, and concessions. Some of the auditor's recommendations were formality, but all recommendations were implemented immediately.

- A. *The Administration Office has four staff persons who reserve facilities and register recreation participants. Two staff members are full-time and two staff members are part-time. When the part-time staff is not working, the office is busy with customers or all four telephone lines are ringing, it becomes impossible to keep customer service at a premium by removing one of the staff members from registration/reservations. Procedures are in place to oversee the receiving, recording and depositing of monies by these four staff members daily. Each of the four staff members has their own login/operator number to follow each individual's transactions through the software registration/reservation program. At the end of their shift, each staff member reconciles their transactions for the day and turns it into the Office Manager. The Staff Member who is responsible for the daily deposit reconciles all transactions and balances the receipts with the monies received (cash, check or credit cards). Once complete, the Office Manager reviews the deposit. Although this procedure has been in place for years, the deposit has not been signed as reviewed. A new procedure was implemented in the fall of 2004 for the Office Manager to sign the deposit as reviewed.*
- B. *A new policy was implemented in fall of 2004 for deposits to be made each business day when park facilities are open for service by designated park personnel.*
- C. *A new policy was implemented in fall of 2004 for all checks to be stamped when received: "For Deposit Only."*
- D. *Regarding the usage of lights for various sports fields, a memorandum was sent out in August of 2004 to all the non-profit groups and churches that use the lights. Notification has been given that payment of the light usage is expected in a timely manner and a staff member has been given the responsibility to follow through with collection of outstanding payments.*

AUDITEE'S GENERAL RESPONSES

The Petitions for a State Audit were certified by the State Auditor in February 2004. The date the report was delivered to the City was July 14, 2005. The undue length of time which the audit took to complete was not helpful, and was a burden on City Staff because of the additional amount of work compiling requested information.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF ST. CHARLES, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of St. Charles is located in St. Charles County. The city was incorporated in 1809 and now operates under a Home Rule Charter, adopted in 1982. The population of the city in 2000 was 60,321.

The city government consists of a Mayor and a 10 member City Council. The City Council members are elected for 3-year terms. The mayor is elected for a 4-year term. The Mayor, City Council members, and other officials during the year ended December 31, 2003, are identified below. The Mayor is paid \$17,500 annually, which increased to \$24,000 in April 2003. City Council members are paid \$6,000 annually. The compensation of these officials is established by ordinance.

<u>Mayor and City Council</u>	<u>Dates of Service During the Year Ended December 31, 2003</u>	
Patricia M. York, Mayor	January 2003 to December 2003	
Rory Riddler, Councilman	January 2003 to December 2003	
Larry Muench, Councilman	January 2003 to December 2003	
Dan Nieland, Councilman (1)	January 2003 to December 2003	
Bob Kneemiller, Councilman	January 2003 to December 2003	
John Scheer, Councilman (2)	January 2003 to December 2003	
Richard D. Baum, Councilman (3)	January 2003 to December 2003	
Dan Gould, Councilman (4)	January 2003 to December 2003	
John Gieseke, Councilman	January 2003 to December 2003	
Kevin E. Riggs, Councilman (5)	January 2003 to December 2003	
Bob Hoepfner, Councilman	January 2003 to December 2003	
		<u>Compensation Paid for the Year Ended December 31, 2003 *</u>
<u>Other Elected Officials</u>	<u>Dates of Service During the Year Ended December 31, 2003</u>	
Dan Barklage, Municipal Court Judge	January 2003 to December 2003	\$ 17,873

Other Principal Officials	Dates of Service During the Year Ended December 31, 2003	Compensation Paid for the Year Ended December 31, 2003 *
James R. O' Connor, City Administrator (6)	January 2003 to December 2003	\$ 131,502
Marilyn McCoy, City Clerk	January 2003 to December 2003	67,291
Thomas F. Ashburn, Director of Community Development	January 2003 to December 2003	98,890
Ernie Rhodes, Fire Chief	January 2003 to December 2003	88,108
Dennis Corley, Acting Police Chief (7)	January 2003 to December 2003	80,470
Michael Pratt, Director of Public Works (8)	January 2003 to December 2003	109,283
Richard L. Ash Jr., Director of Parks (9)	January 2003 to December 2003	90,139
Karen D. McDermott, Director of Finance	January 2003 to December 2003	102, 801
Michael Valenti, City Attorney	January 2003 to December 2003	46,653
Stephen Powell, Director of Tourism (10)	January 2003 to December 2003	90,563
Nadine Boon, Director of Economic Development	January 2003 to December 2003	83,267
Carie Caskey, Director of Human Resources (11)	January 2003 to December 2003	80,803

* This includes all amounts paid by the city for salary, auto and uniform allowance, deferred compensation benefits, wellness payments, and MEMT bonus.

- (1) Mark B. Brown was elected to this position in April 2004
- (2) Michael T. Weller was elected to this position in April 2004
- (3) Jerry E. Reese was elected to this position in April 2004
- (4) Dottie Greer was elected to this position in April 2004
- (5) Joe Koester was elected to this position in April 2004
- (6) Michael Valenti, City Attorney, served and was compensated as the acting City Administrator from March 2004 through December 2004, when Allan Williams was hired.
- (7) James Gooch was appointed as Acting Police Chief on May 24, 2004 until his retirement on January 3, 2005. Patrick McCarrick was appointed as Acting Police Chief on January 3, 2005. Timothy Swope was appointed as Police Chief on March 14, 2005.
- (8) Michael Meiners was appointed as Interim Director of Public Works in May 2005, and Debra Aylsworth was appointed Interim Director of Public Works in August 2005. .
- (9) Maralee Britton was appointed as Director of Parks and Recreation in December 2004.

- (10) Donna Costellia was appointed as Interim Director of Convention and Visitors Bureau in June 2005.
- (11) Celeste Armstrong was appointed as Interim Director of Human Resources in September 2004.

In addition to the officials identified above, the city employed 407 full-time employees and 47 part-time employee at December 31, 2003 and 251 seasonal workers during 2003.

Assessed valuations and tax rates for 2003 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 761,222,333
Personal property	<u>177,365,691</u>
Total	<u><u>\$ 938,588,024</u></u>

TAX RATES PER \$100 ASSESSED VALUATION

	<u>Rate</u>
General	\$ 0.5650
Parks and recreation	0.2550
Debt service	0.1500

TAX RATES PER \$1 OF RETAIL SALES

	<u>Rate</u>
General	\$ 0.0100
Capital improvement	0.0050

The city also receives revenues from the private gaming boat operations at the rate of one dollar for each admission and two percent of adjusted gross receipts.